

Rubin & Hays

ATTORNEYS AT LAW

Kentucky Home Trust Building, 450 South Third Street, Louisville, Kentucky 40202-1410
Telephone (502) 569-7525 Telefax (502) 569-7555 Email: rh@rubinhays.com

CHARLES S. MUSSON
W. RANDALL JONES
CHRISTIAN L. JUCKETT

PARALEGAL
MARY M. EMBRY

November 17, 2004

RECEIVED
NOV 18 2004
PUBLIC SERVICE
COMMISSION

Ms. Beth O'Donnell, Executive Director
Public Service Commission
P.O. Box 615
Frankfort, Kentucky 40602

Re: **Bullock Pen Water District, Case No. 2004-00339**

Dear Ms. O'Donnell:

Enclosed please find the original and four copies of Bullock Pen Water District's Response to the Staff's First Data Request.

Thank you for your time and consideration and if you need any additional information, please let us know.

Sincerely,

Rubin & Hays

By


W. Randall Jones

WRJ:jl
Enclosures

cc: Ms. Paula Massie, BPWD
Kerry Odle, P.E., CMW Engineers

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

RECEIVED
NOV 18 2004
PUBLIC SERVICE
COMMISSION

In the matter of:

APPLICATION OF THE BULLOCK PEN WATER)
DISTRICT FOR A CERTIFICATE OF PUBLIC)
CONVENIENCE AND NECESSITY TO)
CONSTRUCT AND FINANCE AN IMPROVE-) Case No. 2004-00339
MENTS PROJECT AND TO IMPLEMENT A)
SURCHARGE TO ITS EXISTING RATES)
PURSUANT TO KRS 278.020 AND 278.300)

RESPONSE TO COMMISSION'S FIRST DATA REQUEST

The Bullock Pen Water District (the "District"), files this Response to the Commission Staff's First Data Request, dated September 24, 2004:

Response 1. The actual principal amount of the Kentucky Rural Water Finance Corporation's ("KRWFC") loan is \$98,000. Attached hereto as **Exhibit "A"** are the final Sources and Uses and Debt Service Schedule for the loan, the proceeds of which will be disbursed to the District upon the issuance of the Commission Order approving the financing. The loan was structured by Ms. Kristen Curtis of Morgan Keegan & Co., Inc., in cooperation with the District officials. Ms. Curtis' telephone number is (859) 232-8249.

Response 2. The District did not want to contribute any money towards the Phase VII Project, but contributed by virtue of upgrades to the system and a water storage tank. Highway 14 and Stephens Mill, which serve the Phase VII area, were recently upgraded to a 6 inch water line and will have the expense of a future master meter in Boone County. Attached hereto as **Exhibit "B"** is the surcharge calculation based on the methodology used in the Phase V Project. Mr. Kerry Odle of CMW Engineers responded to this request. Mr. Odle's telephone number is (859) 623-2966.

Response 3. Ms. Peggy Gamble of Morris & Bressler, P.S.C., the District's Accountant has provided the response to request 3, which is attached hereto as **Exhibit "C"**. Ms. Gamble's telephone number is (859) 525-6306.

Response 4. (A) The District did not prepare or commission any analyses or studies to determine if its current rates for general water service are adequate to absorb the debt service payments for the proposed loan. **(B)(1)** The District is proposing to finance this Phase VII project and numerous other projects using surcharges to the users benefitting from the applicable project. As of this date, the District has the following projects in various stages which will include surcharges to retire the debt needed to fund said projects:

(a) Phase VI - Kenton County - \$542,500 (2001 estimate) - preliminary planning stage, seeking funding sources;

(b) Phase VIII - Grant County/Owen County - \$2,029,000 (2004 estimate) - plans completed, waiting on environmental approval;

(c) Phase IX - Kenton County - \$966,000 (2001 estimate) - preliminary planning stage, seeking funding sources;

(d) Phase X - Boone County - \$942,550 (2004 estimate) - plans completed, waiting on grant from 2005 State Budget. Boone County committed to pay 1/3 of the project cost;

(e) Phase XI - Grant County - \$796,990 (2004 estimate) - preliminary planning stage.

Mr. Kerry Odle of CMW Engineers responded to this request.

(B) (2) Ms. Peggy Gamble of Morris & Bressler, P.S.C., the District's Accountant has provided the response to request 4 (B) (2), which is attached hereto as **Exhibit "D"**. Ms. Gamble's telephone number is (859) 525-6306.

Response 5. The District did not cause to be prepared or commission any studies or analyses prior to March 18, 2002, to determine that its general water rates were not sufficient to absorb the debt incurred to finance its Phase V project.

Response 6. The final KRWFC loan has a term of 15 years as is shown in Response 1 above. It is anticipated that a \$20 surcharge for a period of 25 years will be necessary for the Phase X project which will be bid once the 2005 State Budget is approved. New customers in Boone County would pay the same surcharge, with the duration of the surcharge varying, based on the time needed to repay the debt on the individual projects. Mr. Kerry Odle of CMW Engineers responded to this request.

Response 7. Kentucky Rural Water Finance Corporation loaned funds to the District for the Phase V Project. The District approved the rates and terms of the loan and was satisfied with the transaction as a whole. Accordingly, the District did not pursue other loan options for the small loan needed for the Phase VII Project. Mr. Kerry Odle of CMW Engineers responded to this request.

Response 8. The only correspondence, memoranda, electronic mail and other documents related to the financing, other than the District's Minutes referred to in Response 9 below, is the calculation of the surcharge provided by the Engineer and filed with the original Application.

Response 9. The minutes of all District meetings at which the Phase VII Project and the related financing were discussed are attached hereto as **Exhibit "E"**.

Response 10. The final term of the loan was set at 15 years because five year increments are more standard in relation to the other loans issued by Kentucky Rural Water Finance

Corporation, which loans were packaged together and sold as a single series of Bonds. Ms. Kristen Curtis of Morgan Keegan & Co., responded to this request.

Response 11. The Phase VII Project could probably be financed through general service rates, but that would shorten the time the existing rates would be adequate. The Phase VII Project is only one small project to use a surcharge for financing [see Response 4(b)]. Mr. Kerry Odle of CMW Engineers responded to this request.

Response 12. The Phase VII Project serves McCoy Fork and some spur roads in which there is a potential 75 customers, 41 of which have signed up for water. There is some farmland available for future development, however this may be limited due to a commercial landfill being located at the end of McCoy Fork in the project area. Mr. Kerry Odle of CMW Engineers responded to this request.

Response 13. In the Phase V Project, the District is required to recalculate the surcharge every 5 years and they plan to do it in less time if the number of customers increases significantly. Mr. Kerry Odle of CMW Engineers responded to this request.

Response 14. The District Commissioners have decided that if the Commission denies the surcharge, the District will not proceed with the Phase VII Project. Mr. Bobby Burgess of the District responded to this request.

